

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 L-03 SS-20 SPC-03 IO-14 AID-20 STR-08

EB-11 COME-00 FRB-02 OMB-01 XMB-07 PA-04 PRS-01 NSC-07

CIAE-00 INR-10 NSAE-00 RSC-01 OIC-04 AGR-20 H-03

DRC-01 FEA-02 SCI-06 INT-08 /177 W

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P 020105Z MAR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 8003

TREASURY DEPARTMENT WASHDC

USINFO WASHINGTON PRIORITY

INFO ALL ARA POSTS PRIORITY

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DEPT PASS ALL ARA POSTS PRIORITY EXCEPT SANTIAGO

TREASURY PASS TO ALAN WADE OPENING BUSINESS 9:00 A.M.

EO 11652: N/A

TAGS: OVIP SHULTZ

SUBJ:

FOLLOWING IS TEXT SECRETARY'S SPEECH IN SANTIAGO. IT WILL BE  
RELEASED HERE ON DELIVERY EXPECTED AT 12 NOON EDT

STATEMENT

OF THE

HONORABLE GEORGE P. SHULTZ

SECRETARY OF THE TREASURY

AND

GOVERNOR FOR THE UNITED STATES

BEFORE THE FIFTEENTH ANNUAL MEETING OF THE

BOARD OF GOVERNORS

OF THE

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INTERAMERICAN DEVELOPMENT BANK

APRIL 2, 1974

MY THANKS, MR. CHAIRMAN, TO THE CHILEAN GOVERNMENT FOR THE WARM WELCOME WHICH HAS BEEN EXTENDED TO ME AND THE ENTIRE U.S. DELEGATION. FOR MANY YEARS -- GOING BACK TO MY DAYS AS A PROFESSOR AT THE UNIVERSITY OF CHICAGO, WHERE WE WERE PRIVILEGED TO SEE A NUMBER OF ABLE CHILEAN STUDENTS -- I HAVE HEARD MUCH OF THIS COUNTRY, ITS PEOPLE, ITS RICH CULTURE, AND ITS HIGH ASPIRATIONS. AS WE MEET HERE TODAY, WE ARE ALL CONSCIOUS OF THE LARGE CHALLENGES BEFORE YOU, AND WISH YOU GODSPEED IN YOUR VIGOROUS EFFORTS TO MEET THEM.

THESE ARE TIMES WHEN ECONOMIC AND POLITICAL RELATIONSHIPS ARE CHANGING RAPIDLY AND ON A GLOBAL SCALE. OUR HEMISPHERE IS NOT ISOLATED FROM THE TIDES OF CHANGE. OLD ASSUMPTIONS HAVE BEEN CALLED INTO QUESTION, AND OLD WAYS OF DOING THINGS NO LONGER SEEM ADEQUATE. NONE OF US IS WISE ENOUGH TO KNOW ALL THE IMPLICATIONS OF THE CHANGES WE SEE. BUT WE ALL RECOGNIZE THE NEED TO MOVE AHEAD -- TO FASHION NEW PRINCIPLES WHERE NECESSARY -- TO WORK TOGETHER COOPERATIVELY ON THE PROBLEMS AT HAND. WE, FINANCE MINISTERS OF THE AMERICAS, HAVE IN THIS COMMON EFFORT A SPECIAL RESPONSIBILITY TO PARTICIPATE, FOR MANY OF OUR PROBLEMS ARE ECONOMIC IN NATURE. FORTUNATELY, WE HAVE A FOUNDATION UPON WHICH TO BUILD.

HERE IN SANTIAGO, AND IN OTHER FORUMS, WE CAN SIT DOWN AND CARRY FORWARD FRANK DIALOGUE IN A SPIRIT OF FRIENDSHIP AND GOODWILL TO ASSESS THE NEEDS AND OUR CAPABILITIES. THROUGH THIS DIALOGUE, IT WILL BE POSSIBLE TO REACH MUTUALLY ADVANTAGEOUS DECISIONS.

IN THE INTERAMERICAN DEVELOPMENT BANK, WE HAVE AN INSTITUTION IN BEING THAT HAS BEEN A SOURCE OF INCREASING STRENGTH AND A FOCUS FOR COOPERATION FOR 14 YEARS. IT HAS AT ITS HEAD A MAN OF LARGE VISION -- ANTONIO ORTIZ MENA.

A NEW RECORD WAS ACHIEVED IN 1973 IN THE VOLUME OF BANK LENDING COMMITMENTS, AND I AM EVEN MORE IMPRESSED BY THE EVIDENCE THAT ITS PROCEDURES FOR THE SELECTION AND DEVELOPMENT LIMITED OFFICIAL USE

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OF SOUND PROJECTS HAVE BEEN FURTHER STRENGTHENED. THE PROBLEMS OF THE POOREST NATIONS, AND OF THE POOREST SECTORS IN EACH COUNTRY, ARE PROPERLY RECEIVING MORE CONCENTRATED ATTENTION. THE WORK OF THE GROUP OF CONTROLLERS AND THE INCREASED ATTENTION GIVEN INTERNAL EVALUATION ADD TO OUR CONFIDENCE FOR THE FUTURE.

INDEED, AFTER 14 YEARS, I BELIEVE IT IS FAIR TO SAY THAT

THE BANK IS MORE THAN EVER READY TO ASSUME A BROADER ROLE  
IN PROMOTING HEMISPHERIC COOPERATION.

TODAY -- WHEN DEVELOPMENT IS THREATENED BY SHORTAGES OF  
ENERGY, FOOD, AND FERTILIZER, WHEN MONETARY RELATIONSHIPS  
ARE IN A STATE OF FLUX, WHEN NEW NEW TRADE AND INVESTMENT  
ISSUES ARE THRUST UPON US, I WANT TO RANGE WIDELY IN MY  
REMARKS. I SHALL ADDRESS AREAS NOT TRADITIONALLY IDENTIFIED  
WITH THE WORK OF THE BANK BUT WHICH ARE INEVITABLY OF GREAT  
IMPORTANCE TO THIS WORK. I DO SO IN FULL CONSCIOUSNESS OF  
THE STUDIES AND PROGRESS THE BANK HAS MADE IN ASSESSING AND  
IN HELPING TO MEET THE NEEDS OF THE AMERICAS.

FIRST, I AM AWARE THAT FOR MANY YEARS, NUMEROUS LATIN AMERICAN  
FRIENDS HAVE THOUGHT AND STATED OPENLY THAT THE U.S. -- PRE-  
OCCUPIED WITH PROBLEMS ELSEWHERE -- PAID INADEQUATE ATTENTION  
TO THE PROBLEMS OF THE AMERICAS. WE DO BELIEVE THAT MANY  
OF OUR EFFORTS IN OTHER PARTS OF THE WORLD SPARED THE AMERICAS  
SERIOUS PROBLEMS. NEVERTHELESS, LAST YEAR, AT JAMAICA,  
I ATTEMPTED TO MAKE A SIMPLE POINT -- WE DO CARE.

I BELIEVE THAT FUNDAMENTAL POINT WAS THE MESSAGE THAT SECRETARY  
KISSINGER BROUGHT TO THE MEETING OF FOREIGN MINISTERS OF OUR  
NATIONS CONVENED IN MEXICO CITY JUST OVER A MONTH AGO. OUT  
OF THEIR DISCUSSIONS, RANGING WIDELY OVER POLITICAL AND ECONOMIC  
MATTERS, A NEW UNDERSTANDING A NEW SPIRIT HAVE BEGUN TO  
EMERGE.

WE CAN SENSE THE CHALLENGE. APPROACHED WITH REALISM, WITH  
CANDOR, AND WITH A NEW SOLIDARITY WE CAN MEET THAT CHALLENGE.  
THAT IS THE AIM OF THE UNITED STATES.

AS FINANCE MINISTERS, DEALING EVERY DAY WITH HARD FACTS AND  
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PRESSING PROBLEMS CRYING OUT FOR DECISION AND RESOLUTION, WE  
KNOW THAT HORTATORY STATEMENTS AND VAGUE PRINCIPLES ARE NOT  
ENOUGH.

WE MUST BE ABLE TO DO TANGIBLE THINGS. WE MUST REALISTICALLY  
APPRAISE OUR CAPACITY TO ACT -- TO DELIVER WHAT WE PROMISE.

NOT LEASE, WE IN THE EXECUTIVE BRANCH OF THE UNITED STATES  
CAN NEVER FORGET THAT WE CANNOT ACT ALONE, WITHOUT THE BROAD  
SUPPORT OF THE PUBLIC EXPRESSED THROUGH ITS REPRESENTATIVES  
IN THE CONGRESS. FOR THAT REASON, I AM PARTICULARLY PLEASED  
THAT WE HAVE WITH US A DISTINGUISHED DELGATION FROM THE  
CONGRESS WHOSE INTEREST IN THE HEMISPHERE IS EQUAL TO MINE.  
THEIR VOICES RAISED IN SUPPORT OF THE IDB, AS THEY BECOME  
CONVINCED OF ITS REAL SIGNIFICANCE, WILL HAVE A DEFINITE AND

FAVORABLE EFFECT IN OUR CONGRESS.

PERMIT ME TO REVIEW BRIEFLY SOME OF THE AREAS IN WHICH I  
BELIEVE WE CAN WORK MORE EFFECTIVELY TOWARD OUR COMMON  
OBJECTIVES.

FIRST, WE HAVE SUPPORTED A STRONG VOICE FOR LATIN AMERICA  
IN THE ONGOING PROCESS OF MONETARY REFORM AND IN THE MANAGEMENT  
OF THE MONETARY SYSTEM. IN THE PROPOSED NEW COUNCIL OF THE IMF,  
I BELIEVE WE HAVE FOUND A PROMISING APPROACH TOWARD STRENGTHENING  
MONETARY COOPERATION AND THE ROL  
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CIAE-00 INR-10 NSAE-00 RSC-01 OIC-04 AGR-20 H-03

DRC-01 FEA-02 SCI-06 INT-08 /177 W  
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P 020105Z MAR 74  
FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC PRIORITY 8004  
TREASURY DEPARTMENT WASHDC PRIORITY  
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DEPT PASS ALL ARA POSTS PRIORITY

THIRD, AS WE WORK TOWARD MORE OPEN MARKETS, WE MUST BE CONSCIOUS  
OF A NEW THREAT TO FREE TRADE FROM ACTION TO RESTRICT SUPPLIES.  
WE FAVOR FREE TRADE, BUT IT MUST BE ON A FAIR BASIS. FRANKLY,  
WE ARE DISTURBED BY SOME TENDENCIES WE SEE AT WORK TO RESTRICT  
THE SUPPLIES MADE AVAILABLE TO THE WORLD MARKET -- EITHER THROUGH  
EXPORTER COLLUSION AIMED DIRECTLY AT INFLUENCING WORLD PRICES  
OR THROUGH EXPORT TAXES AND OTHER RESTRICTIONS AIMED AT INSULATING  
DOMESTIC MARKETS FROM THE GENERAL UPWARD TREND OF PRIMARY-PRODUCT  
PRICES. INDEED, THE POLITICAL PROCESSES IN THE UNITED STATES, AT  
A TIME OF SHARPLY RISING PRICES FOR FOOD, ARE NOT FREE OF PRESSURES  
FAVORING SUCH INSULATION.

BUT I BELIEVE WE ARE JUSTIFIED IN POINTING WITH PRIDE TO THE

FACT THAT THESE PRESSURES HAVE BEEN RESISTED -- AND WE MEAN TO  
KEEP OUR EXPORT MARKETS OPEN. BUT FOR THE LONG RUN THIS COMMIT-  
MENT CAN BE ECONOMICALLY AND POLITICALLY DEFENSIBLE ONLY IN THE  
CONTEXT OF RECIPROCAL RESPONSIBILITIES. COOL AND DISPASSIONATE  
INTERNATIONAL EXAMINATION OF THIS PROBLEM SEEMS TO ME URGENT.  
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ULTIMATELY, THE PROBLEM AND ITS SOLUTION ARE GLOBAL IN NATURE.  
BUT WE HAVE MUCH TO LEARN FROM EACH OTHER IN OUR OWN HEMISPHERE  
AS WE APPROACH EVEN LARGER FORUMS IN THE EFFORT TO DEVELOP  
ACCEPTABLE CODES OF BEHAVIOR.

THE LIST OF THE ISSUES THAT FACE US IS LONG AND COMPLEX. THE  
PROBLEMS OF ENERGY AND INFLATION CUT ACROSS ALL AREAS OF  
ECONOMIC ACTIVITY AND PARTICULARLY AFFECT DEVELOPMENT. FOR  
YEARS, THE PROBLEM OF INFLATION WAS ONE ENDEMIC TO DEVELOPING  
NATIONS AND WE OFTEN PREACHED THE VIRTUES OF RESTRAINT. YET  
TODAY THE PROBLEM HAS BECOME WORLDWIDE, CRYING OUT FOR A COMMON  
EFFORT IN THE INTERESTS OF BOTH OUR NATIONAL AND INTERNATIONAL  
PROSPERITY. SINCE MANY OF YOUR ECONOMIES ARE AFFECTED DIRECTLY  
BY THE PRICE LEVEL IN THE U.S., LET ME STATE SIMPLY THAT INFLATION  
IS A MATTER OF MAJOR CONCERN TO US AND WE WILL NOT BE TIMID IN  
ATTACKING IT. THE WORLDWIDE SUPPLY SHORTAGES IN BASIC COMMOD-  
ITIES HAVE, OF COURSE, MADE ITS SOLUTION AND MANAGEMENT MORE  
DIFFICULT -- A FACT WHICH ONLY UNDERLINES THE URGENCY FOR ALL  
NATIONS TO FOLLOW RESPONSIBLE DOMESTIC AND INTERNATIONAL  
ECONOMIC POLICIES. FOR OUR OWN PART, THE EFFORTS WE HAVE MADE  
TO EXPAND FOOD PRODUCTION SEEM TO BE PAYING OFF, WITH RESULTS  
NOW APPARENT IN MARKETS FOR RAW AGRICULTURAL PRODUCTS.

ENERGY POSES THE MOST SERIOUS CURRENT CHALLENGE TO THE WORLD  
AND THE REGION. THE ABRUPTNESS AND THE MAGNITUDE OF RECENT PRICE  
INCREASES HAVE CREATED PROBLEMS THAT ARE VIRTUALLY UNMANAGEABLE  
FOR MANY OF THE POOREST NATIONS. DIRECT AND URGENT MEASURES ARE  
NEEDED TO ALLEVIATE THEIR SITUATION. IN THIS CONTEXT, IT IS  
ESSENTIAL THAT TRADITIONAL LEVELS OF DEVELOPMENT PROJECT  
ASSISTANCE BE CONTINUED BY INDUSTRIALIZED NATIONS. IT IS EQUALLY  
ESSENTIAL THAT OIL PRODUCERS WITH EXCESS REVENUES JOIN IN  
PROVIDING AID -- PARTICULARLY CONCESSIONAL AID -- AS WELL AS  
CONVENTIONAL RESOURCES TO THE POOREST. WE WELCOME THE INITIAL  
POSITIVE RESPONSE OF THE OIL PRODUCERS OF THIS HEMISPHERE --  
AND IN PARTICULAR VENEZUELA -- WHO HAVE ANNOUNCED THEIR  
INTENTIONS TO PROVIDE MAJOR HELP TO SISTER NATIONS.

PRESIDENT ORTIZ-MENA IS TO BE CONGRATULATED ON HIS RECENT  
INITIATIVE IN CALLING TOGETHER ALL THE REGIONAL DEVELOPMENT  
BANKS IN ORDER TO COOPERATE AND COORDINATE THE EFFORT TO OBTAIN  
NEW RESOURCES FROM OIL PRODUCERS OUTSIDE THE HEMISPHERE.  
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IN OUR VIEW, THE OPERATIONS OF THE IDB MUST BE EXAMINED AND REORIENTED TO TAKE INTO ACCOUNT THE CHANGED SITUATION EMERGING FROM ENERGY PRICES.

FIRST, IT WILL BE MORE IMPORTANT THAN EVER TO HUSBAND THE SCARCE CONCESSIONARY FUNDS OF THE BANK FOR THE POOREST.

SECOND, THE INCREASED ECONOMIC VALUE OF ENERGY PRODUCTS CARRIES AS A DIRECT AND LOGICAL IMPLICATION THAT THERE SHOULD BE A GREATER EMPHASIS OF ENERGY. AND THIS IMPLICATION APPLIES NOT ONLY TO PROJECT FINANCING BY THE BANK BUT ALSO TO THE ALLOCATION OF LOCAL INVESTMENT RESOURCES BY THE MEMBER COUNTRIES. BUT IT DOES NOT EXEMPT THE INITIATIVES ELICITED BY THESE NEW CHALLENGES TO DEVELOPMENT FROM MEETING THE RIGOROUS AND PROFESSIONAL STANDS WHICH THIS BANK IS TRYING TO IMPLEMENT IN ITS OWN WORK AND TO FOSTER AT THE NATIONAL LEVEL. MUCH HARD PROFESSIONAL WORK THEREFORE LIES AHEAD IN IDENTIFYING THE TYPES OF INVESTMENT WHOSE ATTRACTIVENESS HAS BEEN MOST ENHANCED BY OUR NEW ASSESSMENT OF ECONOMIC REALITIES IN THE ENERGY SPHERE, AND IN FINDING, AND GOING THROUGH THE ARDUOUS WORK OF PROJECT PREPARATION ON THE SPECIFIC PROJECTS OF EACH TYPE TO BE IMPLEMENTED.

THIRD, THE INCREASED COST OF ENERGY HAS PROMPTED THE U.S., WHICH NOW PRODUCES 85 PERCENT OF ITS ENERGY NEEDS AND 70 PERCENT OF ITS PETROLEUM NEEDS, TO UNDERTAKE MASSIVE AND SOPHISTICATED RESEARCH ON THE DEVELOPMENT OF ALL FORMS OF ENERGY. IN VIEW OF THE VAST RESERVES OF COAL, OIL SHALE AND OTHER RESOURCES AVAILABLE, AND MOST IMPORTANTLY, OF THE CREATIVE TALENT NOW ATTRACTED TO THIS EFFORT FROM THE RELEVANT FIELDS OF SCIENCE, ENGINEERING, AND MANAGEMENT, BREAK-THROUGHS TOWARD MORE ABUNDANT ENERGY AT LOWER COST ARE PROBABLE. IF SO, THESE METHODS AND THEIR POTENTIAL FOR LOWER COSTS WILL BE MADE AVAILABLE, PERHAPS THROUGH THE IDB, TO THE POORER COUNTRIES ESPECIALLY.

WHAT HAS BECOME ABUNDANTLY CLEAR IN THE PAST TWO YEARS IS THAT AL

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P 020105Z MAR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 8005

TREASURY DEPARTMENT WASHDC PRIORITY

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PERHAPS THE CLEAREST CHALLENGE AT THE MOMENT IS TO ASSURE A CONTINUING FLOW OF FINANCIAL RESOURCES TO THE POORER NATIONS OF THE REGION. THIS IS AN AREA IN WHICH WE HAVE SOME DIRECT QUANTITATIVE MEASURE OF RESULTS. AGGREGATE FINANCIAL FLOWS TO LATIN AMERICA HAVE GROWN APPRECIABLY IN RECENT YEARS, REACHING A TOTAL IN 1972 OF ALMOST \$5 BILLION, 40 PC LARGER THAN 3 YEARS AGO.

BUT SUCH AN AGGREGATE FIGURE HIDES AS MUCH AS IT CLARIFIES ABOUT THE NATURE OF THE PROBLEM AND ITS COMPLEXITIES. THERE IS EVIDENCE THAT THE MIX BETWEEN PUBLIC AND PRIVATE FLOWS HAS CHANGED SUBSTANTIALLY. FOR EXAMPLE, RECOURSE BY LATIN AMERICAN COUNTRIES TO INTERNATIONAL FINANCIAL MARKETS HAS, ACCORDING TO WORLD BANK FIGURES, EXPANDED FROM \$500 MILLION OF GROSS BORROWINGS IN 1971 TO \$3.1 BILLION IN 1973.

THIS SEEMS TO ME HEALTHY AND ENCOURAGING, FOR IN PART IT REFLECTS THE STRONG CREDIT POSITIONS AND RAPID GROWTH OF MANY NATIONS  
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WHICH ARE NOW ABLE TO GO DIRECTLY TO WORLD CAPITAL MARKETS. OF COURSE, THE NEW PRESSURES RESULTING FROM THE OIL SITUATION RAISE QUESTIONS AS TO THE SUSTAINABILITY OF THESE BORROWING LEVELS.

AT THE SAME TIME, WE NEED TO RECOGNIZE THAT FOR MANY YEARS TO COME, OFFICIAL ASSISTANCE WILL BE REQUIRED. THOSE FUNDS ARE SCARCE. WE MUST UTILIZE THEM WITH MAXIMUM EFFECTIVENESS AT THE POINT OF GREATEST NEED. HERE LIES THE CENTRAL ROLE OF THE BANK ITSELF. AND, IN PERFORMING THIS ROLE, I BELIEVE THE BANK WOULD BENEFIT FROM STUDY OF THE ABILITY OF EACH OF ITS MEMBERS TO ACQUIRE CAPITAL, FROM WHATEVER SOURCE, AS A BASIS FOR THE BANK ITSELF TO SEE WHERE ITS HELP IS MOST NEEDED.

YOU KNOW OF THE DIFFICULTY WE HAVE HAD IN FUNDING THE BANK AND PARTICULARLY THE FUND FOR SPECIAL OPERATIONS IN ACCORD WITH THE SCHEDULE AGREED SOME YEARS AGO. THOSE PROBLEMS GROW OUT OF THE SERIOUS QUESTIONS ASKED BY OUR PUBLIC AND OUR LEGISLATURE CONCERNING THE VALUE AND LEVELS OF FOREIGN ASSISTANCE -- QUESTIONS THAT LED THE HOUSE OF REPRESENTATIVES IN JANUARY OF THIS YEAR TO VOTE AGAINST OUR PROPOSAL TO REPLENISH THE INTERNATIONAL DEVELOPMENT ASSOCIATION. WE BELIEVE THOSE QUESTIONS CAN BE ANSWERED. WE ARE EXERTING EVERY EFFORT TO CARRY OUR MESSAGE TO THE CONGRESS AND TO THE PEOPLE OF OUR COUNTRY. THE IDA BILL IS NOW UNDER REVIEW IN THE SENATE AND WE ARE HOPEFUL FOR EARLY PASSAGE IN THAT BODY. WE ALSO BELIEVE THIS YEAR'S AND FUTURE APPROPRIATIONS WILL BE FORTHCOMING FOR THE FSO IN AMOUNTS ADEQUATE TO MAINTAIN THE MOMENTUM OF THAT PROGRAM.

BUT WE MUST NOT IGNORE THE BASIC FACT THAT SUPPORT FOR THESE PROGRAMS DEPENDS UPON A CONTINUING RECORD OF PERFORMANCE IN THE IDB AND OTHER ASSISTANCE INSTITUTIONS -- AND OUR ABILITY TO DEMONSTRATE THAT PERFORMANCE IN DOWN-TO-EARTH, UNDERSTANDABLE TERMS. THE CONGRESSIONAL DELEGATION HERE TODAY IS A SIGN OF OUR INTEREST. THEIR PARTICIPATION IN THIS MEETING AND THE OPPORTUNITY TO VISIT PROJECTS IS AN INTEGRAL PART OF GOVERNMENTAL EFFORT -- BY THE EXECUTIVE AND THE CONGRESS ALIKE -- TO ASSURE THAT OUR PARTICIPATION IN THE BANK IS EFFECTIVE AND THAT THE BENEFITS ARE UNDERSTOOD.

NOW THE TIME IS COMING WHEN WE NEED TO LOOK AHEAD TO THE PRO-LIMITED OFFICIAL USE  
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VISION OF NEW FUNDS FOR CALENDAR 1976 AND BEYOND. I FULLY AGREE THAT THE PLANNING AND PRESENTATION OF SPECIFIC RECOMMENDATIONS FOR GOVERNORS BY THE ANNUAL MEETING NEXT YEAR SHOULD BE OUR GOAL. WE ARE PREPARING FOR DISCUSSIONS OF THIS MATTER DURING THE SUMMER, ASSESSING REALISTICALLY BOTH THE NEEDS AND THE CAPABILITIES.

UNFORTUNATELY, THE TARGET WE SET FOR THE EFFORT TO BRING IN NEW MEMBERS HAS NOT YET BEEN MET. IN OUR FUTURE FINANCIAL PLANNING, I BELIEVE WE SHOULD NOT COUNT ON -- BUT SHOULD KEEP OPEN -- THE POSSIBILITY OF BRINGING COUNTRIES FROM OTHER AREAS MORE DIRECTLY INTO THE WORK OF THE BANK. THE TARGET CONTRIBUTIONS ARE FAIR AND REASONABLE TO THE BANK AND IN PROPORTION TO THE PAST CONTRIBUTIONS OF MEMBERS. I BELIEVE THE TARGET SHOULD NOT BE REDUCED -- AND MY CONVICTION IS REINFORCED BY THE CHANGES IN PURCHASING POWER THAT HAVE TAKEN PLACE SINCE THE TARGET WAS FORMULATED.

SO FAR AS PRIVATE SOURCES OF FUNDS ARE CONCERNED, I AM PARTICULARLY PLEASED THAT THE TENDENCY FOR MANY DEVELOPED COUNTRIES TO RESTRAIN FLOWS OF CAPITAL HAS, AT LEAST IN PART BEEN REVERSED IN RECENT MONTHS. TODAY, I KNOW OF NO OFFICIAL IMPEDIMENTS TO THE FLOW OF CAPITAL FROM THE UNITED STATES, OR



INDEED ON THE POSSIBILITY OF COUNTRIES IN GOOD CREDIT STANDING TO TAP INTERNATIONAL MONEY MARKETS. AND THERE NEVER HAVE BEEN SIGNIFICANT RESTRICTIONS ON THE MOVEMENT OF FOREIGN FUNDS INTO THE UNITED STATES IN THE FORM OF EITHER DEBT OF EQUITY CAPITAL. JUST AS WE ARE STRIVING TO REFORM THE MONEYTARY AND TRADING ORDER, WE SHOULD ALSO BE WORKING TO ENSURE THAT CAPITAL IN ITS MANY FORMS CAN FLOW FREELY AMONG COUNTRIES TO THE BENEFIT OF ALL. IF THERE ARE REMAINING PROBLEMS IN THIS AREA, LET US APPRAISE THEM TOGETHER, AND ASSESS WHAT NEEDS TO BE DONE.

NOW, OBVIOUSLY, THE FLOW OF PRIVATE CAPITAL IS DIRECTLY RELATED TO THE TREATMENT THAT INVESTMENT RECEIVES IN THE REGION AS A WHOLE, AND IN PARTICULAR COUNTRIES, AS WELL AS TO THE AVAILABILITY OF SUPPLY. LAST YEAR AT THIS MEETING WE SPOKE FRANKLY AND OPENLY OF THE DIFFICULTIES RAISED BY THE IMPORTANT INVESTMENT DISPUTES THEN OUTSTANDING AND THE NEED TO RESOLVE THEM, NOT IN A DOCTRINAL WAY, BUT PRAGMATICALLY. I MUST SAY THE RESULTS OF THIS APPROACH HAVE EXCEEDED MY EXPECTATIONS. TODAY, THERE ARE NO MAJOR INVESTMENT DISPUTES WHICH HAVE NOT BEEN SETTLED OR ARE LIMITED OFFICIAL USE  
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ON A SATISFACTORY ROAD TO SETTLEMENT. THE BENEFITS SEEM TO ME DEMONSTRABLE.

AT THE SAME TIME, WE SHOULD TAKE WHAT STEPS WE CAN TO ANTICIPATE FUTURE DIFFICULTIES, AND AVOID THE THREAT THAT RECURRING DISPUTES COULD AFFECT NOT ONLY THE FLOW OF CAPITAL AND IMPEDE THE TRANSFER OF TECHNOLOGY CARRIED BY SUCH INVESTMENT, BUT ALSO POISON OUR OVERALL RELATIONS. SENSITIVE TO THIS NEED, SECRETARY KISSINGER IN MEXICO SUGGESTED THAT WE MIGHT CONSIDER THE ESTABLISHMENT OF A REGIONAL FACT-FINDING BODY TO HELP THE CONCILIATION PROCESS. PERHAPS THERE ARE ALTERNATIVE WAYS TO DEAL WITH THESE ISSUES IN A WAY CONSISTENT WITH THE SOVEREIGNTY AND POLICIES OF EACH. IF SO, LET US PLACE THEM ON THE TABLE FOR PRACTICAL DISCUSSION IN AN APPROPRIATE BODY.

THERE ARE MANY OTHER DIFFICULT ECONOMIC PROBLEMS WHICH WE WILL BE FACING NOW AND IN THE FUTURE. BUT IN CLOSING LET ME SAY, I BELIEVE OUR GREATEST CHALLENGE LIES IN PROMOTING THE INTEGRAL DEVELOPMENT OF THIS HEMISPHERE -- TO ACHIEVE THE FULL POTENTIAL OF THE NEW WORLD. OF LATE THERE HAS BEEN A DISTURBING TREND FOR AN INCREASING OF COUNTRIES TO BELIEVE THAT THEIR OWN NATIONAL INTEREST CAN BEST BE SERVED BY GOING THEIR OWN SEPARATE WAYS. HISTORY TEACHES US A DIFFERENT LESSON AND I AM CONVINCED THAT IT MAKES SENSE FOR US AND SENSE FOR OTHER NATIONS TO COOPERATE ON A REGIONAL BASIS AND ON A GLOBAL BASIS. LET US SET ABOUT THIS TASK.

THIS IS MY LAST ANNUAL MEETING AS U.S. GOVERNOR OF THE IDB. I WILL SHORTLY BE RETURNING TO PRIVATE LIFE, BUT I WISH TO ASSURE YOU OF THE SUSTAINED EFFORT OF MY GOVERNMENT AND MY

SUCCESSOR TO THE GOALS I HAVE SPOKEN OF TODAY.

IN SAYING GOODBYE, I WOULD LIKE TO PAY ESPECIAL HOMAGE -- TO  
PRESIDENT ORTIZ-MENA FOR HIS OUTSTANDING LEADERSHIP IN A TIME  
OF GREAT CHALLENGE FOR THIS BANK -- TO MY FELLOW GOVERNORS  
FOR THEIR SPIRIT OF FRIENDSHIP AND PROFESSIONALISM -- AND TO  
THE MEN AND WOMEN WHO MAKE UP THIS GREAT INSTITUTION, AND WHO  
HAVE WORKED THE HARDEST AT MOVING FORWARD IN PRACTICAL WAYS  
THE GOALS OF ALL OF OUR PEOPLE -- A PROSPEROUS AND HARMONIOUS  
HEMISPHERE.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974SANTIA01636  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740072-0809  
**From:** SANTIAGO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740372/aaaacpdh.tel  
**Line Count:** 510  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 10  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
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**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 SEP 2002 by kelleyw0>; APPROVED <11-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** OVIP, (SHULTZ, GEORGE P)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005